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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

ITEM 12: OTHER BUSINESS

Terms of reference for the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament

Speakers: Ambassador Aktan (Turkey)
President
Greece (for European Union)
Chile
Peru (for Latin American and Caribbean Group)
Egypt
Ukraine
Sweden
Syrian Arab Republic
Russian Federation
Japan
Algeria
China

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 6 May 1994 at the latest to:

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OTHER BUSINESS

(Agenda item 12)

Terms of reference for the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament

1. At the 839th meeting, on 28 April 1994, the **President of the Trade and Development Board at its thirty-ninth session**, Mr. Gündüz Aktan (Turkey), reported on the further consultations which he had conducted on this subject on 26 April 1994. It was with regret that he had to report that, once again, the consultations had failed to reach a consensus on the terms of reference of the Ad Hoc Working Group. It was the general view that time was running out before UNCTAD IX, and that there was no use in following the well-trodden path of prevailing upon the Presidency of the Board to attempt to find a way out of the impasse. He stated that the paper he had presented on 19 April would be maintained until the end of this process since it represented the work of the consultations from the beginning.

2. The **President of the Trade and Development Board** expressed appreciation to Mr. Aktan for his report and the efforts he had made. His task had not been easy. The issue was a very complex one, as had been revealed in the various concerns expressed by delegations in the consultations. The Board must now decide how to proceed with this matter.

3. He recalled that the Board, in its decision 399 (XXXIX), had established the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament. The fact that the Board had not yet agreed on terms of reference did not undo that decision of the Board. Consequently, the Ad Hoc Working Group, though it did not yet have terms of reference and had not yet been convened, could still be considered as part of the intergovernmental machinery of UNCTAD. The future and structure of the subsidiary bodies of the Board were to be discussed within the framework of the mid-term review at the resumed session of the Board in May 1994. This meant that the question of the Ad Hoc Working Group would also be considered at that resumed session. The mid-term review would therefore have before it the report of Mr. Aktan, as well as his latest draft terms of reference dated 19 April 1994, and the Board would be able to draw its conclusions at that time. However, a number of delegations had proposed that the issue should be included as an item on the agenda of the Autumn session of the Board, so that a substantive discussion could take place within the framework of the Board itself. This proposal could be accommodated if the Board so wished. The agenda for the Autumn session was also to be reviewed at the Board's resumed session in May, which

meant that further discussion on the Ad Hoc Working Group and on the inclusion of an item in the Board's Autumn session could take place at the same time. If this procedure were acceptable to the Board, he would in the meantime request Mr. Aktan to continue his efforts with his consultations and to prepare the ground for an acceptable decision when the Board held its resumed session from 25 to 27 May 1994.

4. All delegations that participated in the following discussion on this item expressed their deep appreciation to Mr. Aktan for the very great efforts he had made to secure agreement on the terms of reference for the Ad Hoc Working Group, praising his keen diplomatic skills and inventiveness in the face of a very difficult assignment.

5. The spokesman for the **European Union** (Greece) observed that the latest text put forward by Mr. Aktan was, in most of its parts, along the lines of the text of 3 May 1993 and, in several instances during the series of consultations, the European Union had stated that it could work on the basis of this text. However, substantial modifications introduced during consultations with UNCTAD member States had made it clear that a consensus could not be achieved. Moreover, the time factor had to be taken into consideration. In addition to time, substantial resources had already been consumed for the consultations themselves, which could have been devoted to real work on the subject. Therefore, the European Union considered that it was high time for this sovereign body, the Trade and Development Board, to decide, in accordance with paragraph 99 of the Cartagena Commitment, on an alternative course of action to the one introduced during the thirty-ninth session which, unfortunately, had proved to be inoperative. Paragraph 99 of the Cartagena Commitment referred discussions on the subject under question to the intergovernmental machinery of UNCTAD. The European Union proposed that the decision taken at the thirty-ninth session of the Board be modified by including in the provisional agenda for the first part of the forty-first session of the Board an item which would read as follows: "National experiences of conversion from military to civilian production". During the slot for this item, if it were to be included in the agenda, a panel of experts would be invited to contribute to the discussion as was the practice for other items on the Board agenda. He hoped that this proposal would meet with the approval of other delegations. It was made in a positive spirit and with great respect of the work undertaken by Mr. Aktan during the past year. It was obvious that the apparent deadlock could not continue and this proposal should be viewed as a step in response to the overall needs and efforts of streamlining the work of UNCTAD.

6. The representative of **Chile** expressed regret that the discussion of this topic had been politicized by some delegations. The mandate given for the Working Group in the Cartagena Commitment concerned the use of resources released by

disarmament for the productive benefit of the developing countries. There was nothing political about this mandate. It was certainly not relevant to drag into UNCTAD's activities matters that were dealt with by the General Assembly or the Committee on Disarmament. In the light of the discussions that had taken place, he agreed that this subject should be referred to the Board at its resumed session in May on the mid-term review. At its thirty-ninth session, the Board had taken a decision to establish the Working Group and he considered that the resumed session of the Board was competent to take final action on the matter. Accordingly, Chile could not agree with the proposal by the European Union that this item be deferred until the Autumn session of the Board.

7. The spokesman for the **Latin American and Caribbean Group** (Peru), stated that his Group would prefer to see this question dealt with at the resumed session of the Board in May. He agreed with the summary made by the President and he sincerely hoped that the Board would be able to take a decision on this question at its resumed session.

8. The representative of **Egypt** recalled that, at the fifth executive session of the Board on 8 April 1994, her delegation had urged that this item be dealt with at the resumed session of the Board in the context of the mid-term review of the Working Groups and the establishment of new working groups. At that time the representative of Chile had rejected that idea, wishing to see the matter dealt with at the current session of the Board. The Egyptian delegation had gone along with that course of action but, in view of the deadlock which had now been reached, her delegation did not wish to see this matter discussed at the resumed mid-term review session and consequently supported the proposal made by the European Union.

9. The representative of **Ukraine** said that his delegation was not prepared to discuss specific proposals on substance at this stage. He felt, however, that the elaboration of forms and methods for dealing with this subject should take place in the context of the mid-term review of UNCTAD's activities and mandate. The conversion of military resources to civilian uses was of interest to many countries and it should therefore occupy a prominent place in UNCTAD's activities.

10. The representative of **Sweden** expressed regret at the failure of the consultations. He agreed with the European Union that negotiations were now at an impasse and he supported the EU proposal on this matter.

11. The representative of the **Syrian Arab Republic** expressed his delegation's support for the statement made by the representative of Egypt and agreed that this question should be dealt with at the Autumn session of the Board.

12. The representative of the **Russian Federation** said that his delegation had been willing to cooperate in the effort to reach consensus on the documents submitted to the Board on this item. The first paper presented by the secretariat had been a balanced document and in his view could have provided a basis for agreement. Mr. Aktan's revised text was also acceptable but again there had been no agreement. However, he did not share the pessimistic view expressed by the representative of Egypt that negotiations had now reached a deadlock. He was convinced that, in the end, logic and cooperation would prevail.

13. Referring to the two proposals put forward on this item, he said that the first proposal made by the European Union, namely to defer the item to the Autumn Board, would result in a whole year having been wasted. It would also violate a previous decision taken by the Board and thus set a bad precedent. On the second proposal put forward by Chile, namely that the matter be taken up at the resumed session in May, his delegation was flexible and would cooperate to find a solution. At the same time he wished to propose, as a third possible option, that a group of high-level experts be convened to study the parameters of this issue in order to facilitate its future consideration in UNCTAD. Such a group would be asked to make recommendations to the Board at its Autumn session. He urged delegations to give due consideration to these three options. The Russian Federation would be prepared to join in a consensus on any of them. Above all, the decision taken by the Board at its thirty-ninth session must be implemented.

14. The representative of **Chile**, noting the proposal by the Russian Federation for the establishment of a group of high-level experts, expressed the view that a decision on this should be taken by the Board at its resumed session in May.

15. The representative of **Japan** recalled that, at the fifth executive session of the Board, delegations had emphasized the importance of dealing with this item in the context of the mid-term review, i.e. in the framework of the review of all UNCTAD activities. He could therefore not understand why some delegations felt that the question could not be taken up at the resumed session in May. He added that his delegation agreed with the Russian Federation that previous decisions taken by the Board must be honoured. Finally, he expressed support for the proposals formulated by the President.

16. The representative of **Algeria** cautioned against dramatizing this issue. It was true that the subject-matter was new and complex, and it was probably for that reason that the consultations had failed to reach agreement. Nevertheless, the mandate given by the Cartagena Commitment remained intact and if it was not possible to achieve consensus at this stage it might well be possible to do so

later. In this context, she recalled the relevance of paragraph 51 of the Cartagena Commitment on the sequencing of work.

17. Regarding the proposals that had been made, she believed that further discussion of this item at the resumed session in May would be premature since it was unlikely that there would be a rapid evolution in people's thinking by that time. She therefore supported the compromise proposal of the European Union that the matter be taken up at the Autumn session of the Board. She also agreed that the proposal made by the Russian Federation for a high-level group could facilitate progress. The composition of such a group might be taken up at the resumed session of the Board in May.

18. The representative of **China** recalled that China had already stated that the failure so far to resolve this issue was due to the fact that delegations placed diverse interpretations on the provisions of the Cartagena Commitment and differed on how to implement them. Great efforts had been deployed to reach agreement on this complex task. In general he agreed with the comments made by the representative of Algeria and his delegation was ready to consider new proposals and initiatives that would lead to a satisfactory solution.

19. The spokesman for the **European Union** (Greece) said that, with regard to the notion of adhering to mandates and not setting bad precedents, it was important not to exclude any solution and, if necessary, to have the courage to admit that a mistake had been made at the thirty-ninth session of the Board. The European Union, for its part, was ready to correct such a mistake.

20. The representative of **Chile** said that he could not accept the European Union's contention that the Board might have committed a mistake at its thirty-ninth session. He pointed out that, since it was the Conference which had called for this subject to be dealt with in UNCTAD, one could not fault the action taken by the Board.

Action by the Board

21. At its 839th meeting, on 28 April 1994, the Board decided that this item would be discussed at the resumed second part of the fortieth session of the Board dealing with the mid-term review, in May 1994. The proposals made by the European Union and by the Russian Federation would be taken into account at the mid-term review. Noting that the provisional agenda for the first part of the forty-first session of the Board would also be discussed at the resumed session in May, the Board agreed that it would be able to decide then whether to refer the item forward to the first part of its forty-first session.